

HSBC Russia Manufacturing PMI®

Manufacturing business climate stabilises in December

Summary

Russia's manufacturers ended 2012 on a weak note, according to December HSBC PMI® data compiled by Markit. New orders rose at a weaker rate, partly reflecting a drop in new export business. This led to a near-stagnation in output growth, and firms cut workforces at the fastest rate in over three years.

The survey's headline figure is the HSBC Purchasing Managers' Index™ (PMI) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. Readings above 50.0 indicate an overall improvement in business conditions, below 50.0 an overall deterioration.

The PMI equalled the no-change mark of 50.0 in December, ending a 14-month period of positive readings. The fall in the PMI from November's 52.2 was among the steepest registered in the past four years, and took the average for the final quarter of 2012 below those for both Q2 and Q3. The downward movement in the index was primarily influenced by its three main components – new orders, output and employment.

New orders received by Russian manufacturers rose for the fifteenth successive month in December. That said, the rate of expansion slowed further from October's 19-month high, to a four-month low. It was also weak in the context of historic survey data. Moreover, new export business declined for the third time in five months, and at the fastest rate since October 2010.

The weakening trend in new order growth resulted in a near-stagnation in output in December. Production rose at a marginal rate that was the slowest since September 2011. Output rose slightly in the consumer goods sector, was broadly flat in the intermediate goods sector and fell marginally in the investment goods sector.

Russian manufacturers reduced headcounts for the second month running in December, the first back-to-back fall in employment in the sector for over a year. Moreover, the rate of job shedding was the fastest since August 2009. Goods producers also cut input stocks at the fastest rate since November 2010, as they raised purchasing of new inputs at only a marginal pace.

Cost pressures remained subdued in the context of historic survey data in December. The rate of input price inflation was little-changed from November's five-month low, with firms generally linking any increases to rising labour costs. Similarly, pricing power remained muted, with output prices rising at a modest rate that was unchanged from November.

Comment

Commenting on the Russia Manufacturing PMI® survey, Artem Biryukov, Economist (Russia and CIS) at HSBC, said:

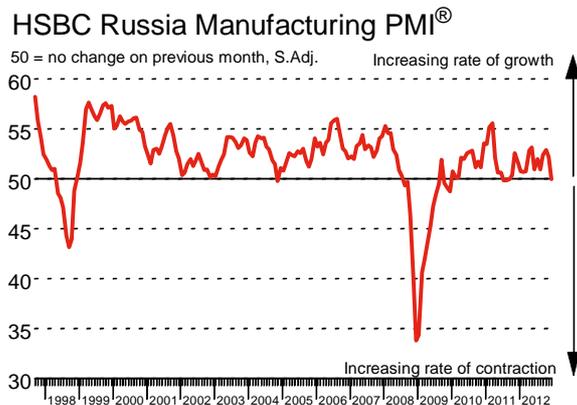
"Manufacturers failed to extend gains from previous months into December, the HSBC manufacturing PMI survey found. Growth momentum suddenly deteriorated amid a sharp fall in external demand in the end of 2012. Yet, the latter happened three times in the past five months casting doubt on hopes that industry is benefiting from improvement in global demand."

"Stabilisation, not stagnation - this is how we interpret the results of December HSBC Russia Manufacturing PMI release. Importantly, over-production was blamed for why factory output was so weak in December. Therefore, producers were adjusting for softer Russian economic growth going forward. Resumption of stronger growth is still on the agenda as we estimate moderate stock levels in the manufacturing sector."

Key points

- PMI equals no-change mark of 50.0
- Employment falls at fastest rate since August 2009
- New export business declines at fastest rate since October 2010

Historical Overview



Sources: Markit, HSBC.

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Notes to Editors:

The HSBC Russia Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 manufacturing companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to Russian Industrial Production. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI®)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMIs:

Purchasing Managers' Index™ (PMI®) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

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